

Message Text

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ORIGIN NEA-16

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DRAFTED BY NEA/EGY:GGBROWN:PM
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FM SECSTATE WASHDC
TO AMEMBASSY CAIRO

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E.O. 11652: N/A

TAGS: BTIO, EG

SUBJECT: MAJOR INVESTMENT BY UNION CARBIDE

1. JON MARES, SUPPLY AND MARKET AREA MANAGER, HYDROCARBONS DEPARTMENT, UNION CARBIDE CORPORATION, VISITED THE DEPARTMENT ON SEPTEMBER 24 TO BRIEF THE DESK ON PLANS FOR POSSIBLE PETROCHEMICAL COMPLEX IN EGYPT. IT APPEARS TO US THAT CARBIDE IS SERIOUS IN ITS INTENTION TO UNDERTAKE THIS PROJECT IF VARIOUS PROBLEMS CAN BE WORKED OUT.

2. IN NOVEMBER CARBIDE PLANS TO UNDERTAKE A FEASIBILITY STUDY COSTING APPROXIMATELY ONE MILLION DOLLARS AND TAKING FIVE TO SIX MONTHS TO COMPLETE. FOLLOWING THIS, AND ASSUMING A FAVORABLE STUDY, UNION CARBIDE WILL WORK ON ARRANGING FINANCING, AT WHICH TIME THE COMPANY WILL HAVE A PACKAGE TO SHOW POTENTIAL PARTICIPANTS. CARBIDE HAS NO RIGID PERCENTAGES IN MIND AT THE PRESENT, BUT THEY ENVISAGE A PACKAGE AT EQUITY OF 40 PERCENT EGYPTIAN, 30-35 PERCENT UNION CARBIDE, AND 30 PERCENT OTHER ARABS. AFTER THE FEASIBILITY STUDY, CARBIDE WOULD ALSO ATTEMPT TO ARRANGE FOR PARTICIPATION BY ANOTHER U.S. COMPANY TO MANU-
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FACTURE SYNTHETIC RUBBER AND PVC WHICH ARE NOT PRODUCTS

CARBIDE FEELS IT HAS THE CAPABILITY OR INTEREST TO GET INVOLVED WITH IN THIS PROJECT. HOWEVER, THESE ARE PRODUCTS

WHICH THE EGYPTIANS SPECIFICALLY DESIRE AS PART OF THE

PRODUCT MIX IN THE PROJECT. THE OTHER OUTPUT PRODUCTS HAVE NOT BEEN FINALIZED WITH THE EGYPTIANS.

3. THE PRIMARY CONCERN FOR UNION CARBIDE IS TO OBTAIN A GUARANTEED SOURCE OF SUPPLY FOR 50,000 BARRELS PER DAY OF NAPHTHA WHICH UNION CARBIDE CAN PURCHASE FOR THEIR USE IN OTHER CARBIDE PLANTS OUTSIDE EGYPT. THIS REQUEST, WHICH MIGHT ON THE SURFACE APPEAR UNUSUAL, IS CONSIDERED THE SINE QUA NON FOR CARBIDE'S PARTICIPATION AND ITS EFFORTS TO PUT THE PACKAGE TOGETHER. NAPHTHA WILL NOT BE AN OUTPUT PRODUCT OF THE COMPLEX, BUT CARBIDE WOULD EXPECT THE EGYPTIANS TO MAKE ALLOCATION FOR THIS SUPPLY FROM EXISTING REFINERIES, PLANNED REFINERIES, OR, VERY LIKELY, FROM ANOTHER ARAB SOURCE ARRANGED THROUGH EGYPTIAN GOOD OFFICES. CARBIDE IS NOT PRESSING THE EGYPTIANS ON THIS REQUEST AT THIS POINT, BUT THE EGYPTIANS ARE AWARE OF IT AND CARBIDE WILL WANT A FIRM RECOGNITION OF THIS REQUEST FOLLOWING THE FEASIBILITY STUDY. CARBIDE SEEMS TO FEEL THAT IF THE POLITICAL LEADERSHIP IN EGYPT REALLY WANTS THIS MAJOR PROJECT IT WILL NOT BE DIFFICULT FOR EGYPT TO ARRANGE A NAPHTHA DEAL IF NEED BE WITH OTHER ARABS.

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